Maricann Group Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Year Ended December 31, 2016
The following is the Management’s Discussion and Analysis ("MD&A") of the financial condition and results of operations of Maricann Group Inc. ("Maricann" or the "Company") for the year ended December 31, 2016, with comparatives as at December 31, 2015. Throughout this MD&A, unless otherwise specified, "Maricann", "the Company", "we", "us" or "our" refer to Maricann Group Inc. The Company was incorporated in Ontario and is domiciled in Canada and the Company's registered office is located at 150 8th Concession Road, Langton, Ontario.

The effective date of the MD&A is May 10, 2017. This MD&A should be read in conjunction with the audited financial statements of the Company and notes thereto for the year ended December 31, 2016, as well as the financial statements and MD&A for the year ended December 31, 2015. The Company’s financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada (“GAAP”), as set out in the Chartered Professional Accountant of Canada Handbook – Accounting (“CPA Handbook”) which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). IFRS requires management to make certain judgments, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the amount of revenue and expenses incurred during the reporting period. The results of operations for the periods reflected herein are not necessarily indicative of results that may be expected for future periods.

All amounts in the MD&A are expressed in Canadian dollars, unless otherwise noted.

**CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

Certain statements in this MD&A may contain “forward-looking information,” within the meaning of applicable securities laws, including the “safe harbour provisions” of the Securities Act (Ontario) with respect to Maricann. Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words "believe", "plan", "intend", "estimate", "expect", or "anticipate", and similar expressions, as well as future or conditional verbs such as “will”, “should”, “would”, and “could” often identify forward-looking statements. We have based these forward-looking statements on our current views with respect to future events and financial performance. With respect to forward looking statements contained in this MD&A, the Company has made assumptions and applied certain factors regarding, among other things: future cannabis pricing; cannabis production yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel; the regulatory requirements; the application of federal and provincial environmental laws; and the impact of increasing competition.

These forward-looking statements are also subject to the risks and uncertainties discussed in the “Risks Factors” section and elsewhere in this MD&A and other risks detailed from time to time in the publicly filed disclosure documents of the Company which are available at www.sedar.com. Forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and assumptions which could cause actual results to differ materially from the conclusions, forecasts, or projections anticipated in these forward-looking statements. Because of these risks, uncertainties, and assumptions, the reader should not place undue reliance on these forward looking statements. The Company’s forward-looking statements are made only as of the date
of this MD&A, and except as required by applicable law, Maricann undertakes no obligation to update or revise these forward-looking statements to reflect new information, future events or circumstances.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Maricann Group Inc. is available on our website at www.maricann.com or through the SEDAR website at www.sedar.com.

OVERVIEW OF THE COMPANY

Company Background

Maricann Group Inc. is a Company incorporated under the laws of the Province of Ontario and a licensed marijuana producer under the Access to Cannabis for Medical Purposes Regulation (the "ACMPR"). Maricann received its first license from Health Canada under the Marijuana for Medical Purposes Regulations ("MMPR") on March 27, 2014 (the "License") and began production and commenced sales of medical cannabis in December 2014 and cannabis oil production and sales in May of 2016 and October of 2016, respectively. The Company received an updated license under the ACMPR on March 29, 2017 which expires on September 28, 2018. It is anticipated that Health Canada will continue to renew the License.

As of the date hereof, the License is one of 43 licenses issued by Health Canada under the ACMPR for all of Canada, and one of 25 licenses issued for Ontario. Of the 43 licenses issued for all of Canada, the License is one of 27 licenses permitted to produce and sell marijuana, one of 18 licenses permitted to produce and sell cannabis oil, and one of 7 licenses to produce and sell cannabis starting materials, including seeds and clones. Management believes that the Company benefits from a number of competitive advantages which will allow it to be strategically positioned for future developments in the industry.

Since commencing operations at its main facility located at 150 8th Concession Road, Langton, Ontario in April 2013, the Company has continued to expand production of the main facility. The Company also recently acquired 97.5 acres of property adjacent to the main facility to strategically support further expansion.

Pursuant to the License, the Company is permitted to possess, produce, sell, ship, transport, deliver and destroy dried medical marijuana, marijuana plants (including plants and seeds), cannabis resin and cannabis oil.

Company Products

The Company currently offers two main types of products: dried marijuana and cannabis oil. All of the Company’s products are independently lab tested and certified before being packaged and labelled with detailed information about the levels of Tetrahydrocannabinol ("THC") and Cannabidiol ("CBD") within each product.

THC is one of the cannabinoids found in the cannabis plant and is responsible for the majority of the plant's psychoactive properties. THC is the most desirable element of the plant by the majority of consumers. Studies have demonstrated that THC may have medical benefits, including analgesic properties and its tendency to increase appetite. CBD is gaining popularity as a therapeutic cannabinoid for a variety of diseases, such as autism, epilepsy, and other nerve related conditions.

Nearly all modern cannabis strains are hybridized in some form or another, traditionally cannabis has been separated into Sativa and Indica or the in-between ("hybrid") options.
(i) **Dried Marijuana**

<table>
<thead>
<tr>
<th>Product Name</th>
<th>THC Content (%)</th>
<th>CBD Content (%)</th>
<th>Dominant Strain</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICANN Balanced Low 14</td>
<td>6.63</td>
<td>10.39</td>
<td>Hybrid</td>
</tr>
<tr>
<td>ICANN Balanced Low 168</td>
<td>5.57</td>
<td>15.66</td>
<td>Sativa Dominant</td>
</tr>
<tr>
<td>ICANN Balanced Low 25</td>
<td>6.44</td>
<td>9.00</td>
<td>Sativa Dominant</td>
</tr>
<tr>
<td>ICANN Forte 12</td>
<td>13.91</td>
<td>-</td>
<td>Indica Dominant</td>
</tr>
<tr>
<td>ICANN Ultra Forte 15</td>
<td>20.17</td>
<td>-</td>
<td>Indica Dominant</td>
</tr>
<tr>
<td>ICANN Ultra Forte 16</td>
<td>21.88</td>
<td>-</td>
<td>Indica Dominant</td>
</tr>
<tr>
<td>ICANN Ultra Forte 19</td>
<td>21.69</td>
<td>-</td>
<td>Hybrid</td>
</tr>
<tr>
<td>ICANN Ultra Forte 27</td>
<td>20.35</td>
<td>0.11</td>
<td>Sativa Dominant</td>
</tr>
<tr>
<td>ICANN Ultra Forte 3</td>
<td>20.63</td>
<td>-</td>
<td>Indica Dominant</td>
</tr>
<tr>
<td>ICANN Ultra Forte 5</td>
<td>17.20</td>
<td>-</td>
<td>Sativa Dominant</td>
</tr>
</tbody>
</table>

(ii) **Cannabis Oil**

<table>
<thead>
<tr>
<th>Product Name</th>
<th>THC Content (%)</th>
<th>CBD Content (%)</th>
<th>Dominant Strain</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICANN Oil - Balanced</td>
<td>0.49</td>
<td>0.89</td>
<td>Hybrid</td>
</tr>
<tr>
<td>ICANN Oil - Forte</td>
<td>1.78 – 2.56</td>
<td>0.03</td>
<td>Hybrid</td>
</tr>
<tr>
<td>ICANN Oil - Moderate</td>
<td>0.32</td>
<td>0.97</td>
<td>Hybrid</td>
</tr>
<tr>
<td>ICANN Oil - Rich</td>
<td>0.41</td>
<td>2.06</td>
<td>Sativa Dominant</td>
</tr>
</tbody>
</table>

(iii) **Accessories**

The Company also offers a number of accessories including vaporizers, grinders and other paraphernalia.

For additional information on product offerings please visit the Company's website at [www.maricann.com](http://www.maricann.com).

**Company Developments**

(i) **Reverse Takeover Listing**

On April 24, 2017, the Company completed the reverse takeover of Danbel Ventures Inc. ("Danbel"). Management’s preliminary estimate of the listing expense is $4,212,945. Maricann also successfully completed the listing of the Resulting Issuer's common shares on the Canadian Securities Exchange ("CSE") under the ticker symbol “MARI”.

(ii) **Finance raising**

On March 3, 2017, the Company completed a raise of $10,000,000 by issuing 3,510,585 common shares of the Company at $2.85 per share.

(iii) **Reverse Takeover and $22.5M Convertible Debenture Issuance**

On December 15, 2016, the Company entered into a binding letter agreement (the "Letter Agreement") with Danbel Ventures Inc. ("Danbel"), for Danbel to acquire a 100% interest in Maricann which will constitute a reverse takeover of Danbel by the shareholders of the Company (the "Transaction"). Maricann intends to then
apply for a concurrent listing of the Resulting Issuer's common shares on the Canadian Securities Exchange ("CSE").

At the same time, the Company completed a $22,500,000 financing by issuing 22,500 units (the "Units"), each Unit comprised of one senior unsecured convertible debenture with a principle amount of $1,000 (a "Debenture") and 500 common share purchase warrants (the "Warrants). Immediately prior to the completion of the Transaction, the principal amount of the Debentures will be converted into common shares of the Company at a conversion price of $1.00 per share and be exchanged for common shares of the Resulting Issuer pursuant to the Transaction. The Warrants will similarly be exchanged pursuant to the Transaction or will otherwise be exercisable into common shares of the resulting Issuer at an exercise price of $1.25 per share for a period of two years from the listing date, subject to an accelerated expiry in the event that the volume weighted average price of the Resulting Issuer's common shares for any 20 consecutive trading days equals or exceed $1.90.

As partial consideration for their services, the Agent of the Transaction was issued 900,000 compensation options (the "Compensation Options"). Each Compensation Option will be exchanged pursuant to the Transaction or will otherwise be exercisable to purchase one unit of the Resulting Issuer at an exercise price of $1.00 for a period of two years from the Listing Date. Each unit will be comprised of one common share and one common share purchase warrant of the Resulting Issuer, with each warrant entitling the holder of the warrant to acquire one common share of the Resulting Issuer at an exercise price of $1.25 per share for a period of two years from the Listing Date.

For additional information and discussion on the Company's reverse takeover transaction and the $22.5M financing, see notes
3 and 14 to the audited financial statements.

(iv) **Finance Raising**

On November 18, 2016, the Company completed a capital raising for $3,148,704 by issuing 4,618,604 common shares of the Company at $0.68 per share.

(v) **License Renewal**

Effective March 29, 2017, Health Canada renewed the License to September 28, 2018 and is expected to extend the License at the end of its current term. The License currently allows the Company to, among other things, produce up to 930 kilograms ("kgs"), 352 kgs, and 30 kgs of dried marijuana, cannabis oil and cannabis resin, respectively, per year and to sell and distribute within Canada up to 930 kgs, 352 kgs, 30 kgs and 10,001 kgs of dried marijuana, cannabis oil, cannabis resin and marijuana plants respectively, per year.

(vi) **Common share stock split**

On December 7, 2016, the Directors of the Company authorized a 305.1:1 stock split of its common stock. All share, option and earnings per share information have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock split.

(vii) **Regulatory Changes**

In 2001, the Government of Canada introduced a regulatory regime, the *Medical Marihuana Access Regulations* ("MMAR"), governing access of patients to marijuana for medical purposes. In June 2013, Health Canada replaced the MMAR with the MMPR which permitted companies to apply as a Licensed Producer of medical marijuana. On August 24, 2016, the ACMPR replaced the MMPR as the governing regulations in respect of the production, sale and distribution of medical cannabis and cannabis oil. The ACMPR effectively combines the regulations and requirements of the MMPR, the Marihuana Medical Access Regulations and the section 56 exemptions relating to cannabis oil under the Controlled Drugs and Substances Act into one set of regulations. The Company's latest license renewal was completed under the ACMPR, dated March 29, 2017.

(viii) **Promissory Notes, Mortgage Facility and Commercial Term Loan and Line of Credit**

During March and August, 2016, the Company entered into three separate promissory notes for the principal amounts of $420,000, $100,000, and $400,000 respectively (collectively the “Promissory Notes”). The Promissory Notes mature on November 2, 2016 with interest being accrued a fixed rate of 10.0% per annum. The Promissory Notes include a mandatory prepayment clause requiring prepayment of the outstanding principal amount and all accrued and unpaid interest upon completion of any share subscription transaction pursuant to which the Company raises not less than $3M in equity and the Lenders per the Commercial Term Loan and the Line of Credit (see below) and the Mortgage (see below) (collectively the “Lenders”) have released the Holders of the Promissory Notes of their subordination and postponement obligations in favor of the Lenders or has otherwise consented to such Mandatory Prepayment. The Company also has a prepayment option providing it with the option to repay the principal amount outstanding on the Promissory Notes without notice, bonus or penalty provided that each repayment of principal is accompanied by payment of interest accrued and unpaid. At the date of this MD&A, and in accordance with the terms, the promissory notes have been paid in full.

During February 2016, the Company entered into a $765,375, fixed rate mortgage facility (the “Mortgage”) with a Canadian based lender to assist with the purchase of 138 – 8th Concession Road, Langton, Ontario being a 97.5 acre parcel of land located adjacent to the Company's registered office, over which the mortgage facility is
secured. Interest on the mortgage facility is accrued monthly at a one-year, fixed rate of 5.5%. On February 3, 2017, the commercial term loan was extended at a fixed interest rate of 6% for a period of 5 years maturing on January 15, 2022.

During January 2016, the Company secured a $2,000,000 commercial line of credit (the “line of credit”) with a Canadian based lender for a term of one year. Interest is accrued on the daily closing balance outstanding on the line of credit calculated at 5.5% per annum, being the lenders base lending rate minus 0.75%, and is payable monthly. The line of credit may be repaid in whole or part at any time without penalty to the Company. On February 3, 2017, the commercial line of credit was extended.

During January 2016, the Company secured a $2,000,000 commercial term loan with a Canadian based lender for a term of one year. The commercial term loan is subject to an interest rate of 5.5% per annum and matures on January 15, 2017. On February 3, 2017, the commercial line of credit was extended.

The above noted commercial term loan and mortgage facility are required to maintain certain financial and other covenants. As at December 31, 2016, the Company was not in compliance with the covenant requirements. Subsequent to the year end, as noted above, the commercial term loan and mortgage facility were each revised and extended. Under the revised agreements, the Company is required to maintain certain of the financial covenants, however the covenant requirement that was in breach from the original terms was removed in the revised agreements.

We refer you to financial statements, note 12 for additional information.

**Company Outlook and Strategy**

*Innovation and Scale*

We bring experience, innovation and scale together, replicating genetically stable plants in our growing facility. The Company is considering various alternatives, including companies like Evolab – a company that specializes in extraction technologies that uses innovative processes in producing all-natural cannabis plants and products. As well, our future 1 MM square foot Dresden-based facility – ideal for cannabis cultivation – gives us access to Germany’s newly created and expected to expand cannabis market. Currently, Maricann is expanding its cultivation operations by constructing a 217,500 sqft. facility in Langton on its wholly owned property, allowing the company the ability to produce in excess of 10,000 kg of product per year for the Canadian market, subject to receiving Health Canada approval.

Leveraging scale allows us to grow more for less: we’re on track to meet our cost objective of less than $1.34 per gram produced, making us among the lowest-cost producers in the country.

*Growing Green with Green*

Energy efficiency is at the core of everything we do. From producing on-site, natural gas co-generation electricity to gathering rainwater from our roofs, we drive energy efficiencies throughout our production processes to save time and money.

Growing under glass – through high-efficiency windows – means we harness solar energy with the full colour spectrum of the sun. This lowers our carbon footprint, while increasing our yield. We also use CO2 to heat our water and floors, and we pump CO2 back into our greenhouses where it acts as a natural booster to our growth cycle. We grow cleaner and larger plants though this method.

Being so energy efficient allows us to be a low-cost, high-quality producer in a market that rarely sees that combination.
In 2013, we acquired an established, 8,000 square foot growing operation in Langton, Ontario, an agricultural community located in one of Canada’s most arable regions.

We quickly ramped up that facility in size, output and onsite security in building a 30,000 square foot, high-efficiency growing facility. We are currently expanding that to more than 217,500 square feet by the fall of 2017. This increased capacity means our sales are expected to at least double in 2018 over 2017 and prior years, and our production is expected to more than triple.

With completion of the reverse takeover of Danbel and becoming publicly traded on the CSE, MariCann is becoming one of the world’s leading vertically integrated cannabis companies.

Overall Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>For the Year Ended</th>
<th>Change</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>$</td>
</tr>
<tr>
<td>Revenue</td>
<td>4,060,131</td>
<td>1,971,810</td>
<td>2,088,321</td>
</tr>
<tr>
<td>Gross profit</td>
<td>967,777</td>
<td>498,583</td>
<td>469,194</td>
</tr>
<tr>
<td>Expenses</td>
<td>9,263,545</td>
<td>4,095,168</td>
<td>5,168,377</td>
</tr>
<tr>
<td>Net loss and comprehensive loss</td>
<td>(8,295,768)</td>
<td>(3,596,585)</td>
<td>(4,699,183)</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>(0.22)</td>
<td>(0.10)</td>
<td>(0.12)</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares</td>
<td>37,238,120</td>
<td>36,612,000</td>
<td>626,120</td>
</tr>
</tbody>
</table>

The Company was incorporated in 2013, commenced commercial operations in mid-2014 and began generating revenue from sale of medical cannabis in late December 2014. Production and operations have been consistently growing in both sales and capacity since inception. The company has maintained its focus on providing quality products produced in a cost effective manner. Net losses for the year ended December 31, 2016 and 2015 reflect the steady increase in operational and other working capital uses consistent with a company on a steep growth curve. Revenue for the year ended December 31, 2016 has grown 106% when compared to the same period in 2015. From an expense perspective the increases in cultivation related costs, the hiring and contracting of more experts and experienced personnel and increased corporate activity have driven a 126% increase year over year. Net loss was offset by the unrealized gain on changes in fair values of biological assets which were $2,109,069 and $1,428,319, for the year ended December 31, 2016 and 2015, respectively.
During the twelve months ended December 31, 2016, the Company focused its efforts and operational spending on the following:

- Registration of patients;
- Hiring of senior financial, growing, and management resources;
- Optimizing and increasing production to meet the anticipated increase in product demand;
- Continued expansion of production facilities; and
- Growing increased market awareness of the company and its products and approach.

SELECTED FINANCIAL INFORMATION

This section provides detailed financial information and analysis about the Company's performance for year ended December 31, 2016 compared to the year ended December 31, 2015. The selected financial information set out below may not be indicative of the Company's future performance.
## Results of Operations and Supplementary Financial Information

<table>
<thead>
<tr>
<th>For the year ended</th>
<th>2016</th>
<th>2015</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>4,060,131</td>
<td>1,971,810</td>
<td>2,088,321</td>
<td>106%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>5,201,423</td>
<td>2,901,546</td>
<td>2,299,877</td>
<td>79%</td>
</tr>
<tr>
<td>Unrealized gain on changes in fair value of biological assets</td>
<td>(2,109,069)</td>
<td>(1,428,319)</td>
<td>(680,750)</td>
<td>48%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>967,777</td>
<td>498,583</td>
<td>469,194</td>
<td>94%</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General and administrative</td>
<td>3,116,733</td>
<td>2,772,695</td>
<td>344,038</td>
<td>12%</td>
</tr>
<tr>
<td>Sales and marketing</td>
<td>1,463,600</td>
<td>795,937</td>
<td>667,663</td>
<td>84%</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>1,134,630</td>
<td>33,599</td>
<td>1,101,031</td>
<td>3277%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>702,089</td>
<td>443,004</td>
<td>259,085</td>
<td>58%</td>
</tr>
<tr>
<td>Loss before interest expense</td>
<td>(5,449,275)</td>
<td>(3,546,652)</td>
<td>(1,902,623)</td>
<td>54%</td>
</tr>
<tr>
<td>Interest expense, net</td>
<td>337,627</td>
<td>49,933</td>
<td>287,694</td>
<td>576%</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>2,508,866</td>
<td>-</td>
<td>2,508,866</td>
<td>100%</td>
</tr>
<tr>
<td>Net loss and comprehensive loss</td>
<td>(8,295,768)</td>
<td>(3,596,585)</td>
<td>(4,699,183)</td>
<td>131%</td>
</tr>
<tr>
<td>Net loss per share, basic and diluted</td>
<td>(0.22)</td>
<td>(0.10)</td>
<td>(0.12)</td>
<td>127%</td>
</tr>
<tr>
<td>Weighted average number of outstanding shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>37,238,120</td>
<td>36,612,000</td>
<td>626,120</td>
<td>2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For the year ended</th>
<th>2016</th>
<th>2015</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashflows used in Operating Activities</td>
<td>(5,341,308)</td>
<td>(2,320,531)</td>
<td>(3,020,777)</td>
<td>130%</td>
</tr>
<tr>
<td>Cashflows used in Investing Activities</td>
<td>(3,364,609)</td>
<td>(1,317,262)</td>
<td>(2,047,347)</td>
<td>155%</td>
</tr>
<tr>
<td>Cashflows from Financing Activities</td>
<td>24,897,579</td>
<td>3,593,885</td>
<td>21,303,694</td>
<td>592%</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>3,693,696</td>
<td>1,747,144</td>
<td>1,946,552</td>
<td>111%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As at</th>
<th>2016</th>
<th>2015</th>
<th>Change $</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>24,624,686</td>
<td>5,347,167</td>
<td>19,277,519</td>
<td>361%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>27,860,845</td>
<td>5,282,976</td>
<td>22,577,869</td>
<td>427%</td>
</tr>
<tr>
<td>Total Shareholders’ Equity</td>
<td>(3,236,159)</td>
<td>64,191</td>
<td>(3,300,350)</td>
<td>-5141%</td>
</tr>
</tbody>
</table>

Page 10
Revenues

Revenues for the year ended December 31, 2016 were $4,060,131 as compared to $1,971,810 during the same period in 2015, and increase of $2,088,321 or 106%. The increase in revenue, year over year, is due primarily due to the growth in the Company’s customer base. The Company also began sales of medical cannabis oil in October 2016, which totalled 4% of total revenue. Total products sold for the year ended December 31, 2016 was 537 kilograms at an average selling price of $8.19 per gram, up from 315 kilograms sold during 2015 at an average selling price of $6.57 per gram.

The Company’s dry medical cannabis strains were priced between $4.68 and $15 per gram, excluding any discounts, and medical cannabis oil were priced between $16.93 to $27.58 per 40~50 ml bottle, excluding any discounts for the year ended December 31, 2016, up from between $4.50 and $14 per gram for the year ended December 31, 2015, with compassionate pricing set at a 20% discount off of the listed price (2015 – 20%).

Net cost of sales

Included in net cost of sales are the net change in fair value of biological assets, inventory expensed and production costs. Biological assets consist of cannabis plants at various pre-harvest stages of growth which are recorded at fair value less costs to sell at the point of harvest. Cost to sell include shipping, processing and sales related costs. At harvest, the biological assets are transferred to inventory at their fair value which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold. Direct production costs are expensed through cost of sales. Net cost of sales for the period ended December 31, 2016 and 2015 were $3,092,354, and $1,473,227, respectively, representing an increase of $1,619,127 and includes a recovery relating to the unrealized gain on changes in the fair value of biological assets of $2,109,069 and $1,428,319 during those same respective periods.

We expect net cost of sales to vary from year to year based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the year.

Gross profit

Gross profit was $967,777 for the year ended December 31, 2016 and $498,583 for the year ended December 31, 2015. This was primarily due to the Company’s success in continuing to reduce cost of production, as well as the build-up of plants in production as the Company focuses its efforts on increasing product inventories and strains available for its growing number of registered patients. During 2016, Maricann served over 5000 registered patients.

Expenses

General and administrative

General and administrative expenses were $3,116,733 and $2,772,695 for the year ended December 31, 2016 and 2015 respectively, representing an increase of $344,038 or 12%. The increase year over year represents the company’s efforts to bring more labour and talent into the company, increased travel, increased maintenance costs as well as other overhead associated with the growth including contactors, professional fees and increased site security.
Sales and marketing

Sales and Marketing expenses increased to $1,463,600 for the year ended December 31, 2016 from $795,937 the prior year, representing an increase of $667,663 or 84%. Sales and marketing expenses consisted mainly of business development costs, promotional material costs, shipping expenses and the costs associated with employing a full time medical director.

Share-based compensation

Share based compensation of $1,134,630 (2015: $33,599) relates to stock options issued to employees under the Company’s share option plan, representing an increase of $1,101,031 or 3277%. The increase is mainly due to additional stock options granted in the year and special share-based payments granted to a few key employees.

Depreciation

Depreciation expense was $702,089 for the year ended December 31, 2016 compared to $443,004 during the same period in 2015, representing an increase of $259,085 or 58%. The increase was the result of the addition of new greenhouse space and increased capacity in the processing facility.

Transaction Cost

Transaction cost was $2,508,866 for the year ended December 31, 2016, compared to nil during the same period in 2015, the costs incurred relate to the costs associated with the convertible debenture and warrants issuance during the year.

Net Loss and comprehensive loss

Net loss and comprehensive loss were $8,295,768 and $3,596,585 for the years ended December 31, 2016 and 2015 respectively. Given that we are a start-up company in a growth phase, it was expected that it would not generate net income in its early years. The need to invest in both human capital as well as having higher operations costs in keeping pace with the quickly growing revenues has been essential to ensure that the current and, potentially more importantly, future market opportunity can be capitalized upon.

Loss per Share

Basic loss per share is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other potentially dilutive securities. The weighted average number of common shares used as the denominator in calculating diluted loss per share excludes un-issued common shares related to stock options and other rights to shares, warrants, compensation options and convertible debentures as they are anti-dilutive. Basic and diluted loss per share for the year ended December 31, 2016 was $0.22 per share as compared to $0.10 per share for the year ended December 31, 2015.

Total Assets

Total assets increased to $24,624,686 as at December 31, 2016 from $5,347,167 as at December 31, 2015. The increase is the result of a number of elements. Cash increased to $16,192,662 from $1,000 due to the convertible debentures issued in December 2016. Property, plant and equipment increased 67% from $4,278,740 to $7,162,284. The majority of this increase related to upgrades/expansion to the growing and processing facilities.
Total Liabilities

Total liabilities as at December 31, 2016 were $27,860,845 as compared to $5,282,976 as at December 31, 2015. This increase relates to an increase in the convertible debentures and warrants issued, bank borrowings as well as an increase in accounts payable, all attributable to the substantial operational and capital costs associated with growing the company's capacity and operational workforce. The increase in total liabilities is also offset by repayment of shareholder loans.

Liquidity and Capital Resources

For the year ended December 31, 2016, the Company generated revenues of $4,060,131 from operations and has financed its operations and met its capital requirements primarily through bank borrowings and equity financings. The Company’s objectives when managing its liquidity and capital resources are to generate sufficient cash to fund the Company’s operating and working capital requirements. During the year, the Company completed raises through equity subscriptions, and issuance of convertible debentures and warrants totalling $25,634,727, and repaid $3,200,000 in shareholder loans to meet its current and anticipated future obligations.

As at December 31, 2016, the Company had a working capital deficiency of $10,394,787 compared to $4,127,220 at December 31, 2015. The decrease in working capital of $6,267,567 was primarily attributable to the collection and subsequent use of the funds provided by the convertible debentures.

Subsequent to December 31, 2016, the Company has significantly strengthened its balance sheet and liquidity position with over $10 million in new financings as further described in "Company Developments" above. Subsequent to the completion of the reverse takeover transaction, the convertible debentures and warrant have been reclassified to equity, resulting in $22,500,000 million reduction in the Company's liabilities. Taking reclassification of the $22,500,000 of convertible debenture and warrants from liability to equity into consideration, the Company’s working capital position as at December 31, 2016 would have been a working capital surplus of $12,105,213.

The Company anticipates that it has sufficient liquidity and capital resources to meet all its planned expenditures for the next twelve months.

Operating Activities

For the year ended December 31, 2016, cash flow used in operating activities was $5,341,308 compared to $2,320,531 for the year ended December 31, 2015. The increase in cash flow used in operations is $3,020,777 or 130%. The increase in cash flow used in operations is due to higher cash losses of $3,579,336 offset by increase in non-cash working capital balances of $558,559.

Investing Activities

For the year ended December 31, 2016, the Company had used cash of $3,364,609 related to investing activities as compared to $1,317,262 for the year ended December 31, 2015. Investing activities during the year relate to building and other facility upgrade and the purchase of production equipment, computers and furniture. Investing activities during the prior year were related primarily to building and facility upgrades.

Financing Activities

Cash flows provided by financing activities for the year ended December 31, 2016 were $24,897,579 compared to $3,595,885 for the year ended December 31, 2015, an increase of $21,301,694 or 592%. The increase in cash provided by financing activities is primarily due to an increase in cash proceeds from borrowings, including the line of credit, of $2,705,155, cash proceeds from equity raises of $3,134,727, cash proceeds from issuance of convertible debentures and warrants of $22,500,000, offset by repayment of shareholder loan of $3,200,000, and repayment of interest on borrowings and capital leases of $242,303.
**Share Capital**
The authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

**Common Share Stock split**
On December 7, 2016, the Directors of the Company authorized a 305.1:1 stock split of its common stock. All share, option and earnings per share information in this MD&A have been retroactively adjusted to reflect the increase in the number of common shares and options from the stock split.

**Capital Expenditures**
The company has been taking a phased approach to capital expansion since January 2015. Expenditures have been managed based on the available cash resources. During 2015, two new greenhouses were built along with critical and efficiency based upgrades to the existing growing and processing facilities. Additional upgrades were also completed during Q3 & Q4 2016. The company embarked on its most substantial facility expansion to date in December 2016. With an expected completion date in Q4 2017, an additional approximately 217,500 square feet of growing and processing space will complement the current footprint. This facility is expected to have a capacity in excess of 10,000,000 grams (10,000 kgs) when complete and fully operational, subject to obtaining regulatory licensing approval.

**Commitments and Contingent Liabilities**

**Contingent Liabilities**
The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed at each reporting date and the estimates are changed when expectations are revised. An outcome that deviates from the Company’s estimate may result in an additional expense or release in a future accounting period.

As at December 31, 2016 and 2015, the Company has not recognized any contingent liabilities.

**Commitments**
The Company has production facilities under operating lease arrangements until fiscal 2018 as well as administrative offices under operating lease arrangements until 2022. The Company has the right under production facilities lease arrangement to extend the leases by another five years. The following table presents the minimum payments due over the next six years until the termination of the leasing arrangement.

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<td>2017</td>
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<td>62,576</td>
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Off-Balance Sheet Arrangements

Maricann has no off-balance sheet arrangements except for the commitments shown above.

Transactions with Related Parties

As at December 31, 2016, the Company had no transactions with related parties, except those pertaining to transactions with key management personnel in the ordinary course of their employment or directorship arrangements and transactions with the Company’s shareholders in the form of various financing. These related party transactions are discussed in the Company’s financial statements notes 11 and 18.
Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risks on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which Maricann currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in forward looking statements. Readers of this MD&A should not rely upon forward looking statements as a prediction of future results.

The following risk factors have been identified by Management:

Financial Risk Factors

The Company is exposed to credit risk through its cash and cash equivalents. The Company is exposed to liquidity risk in meetings is contractual obligations associated with financial liabilities as they become due.

Refer to the notes to the financial statements for more information on the impact of financial risks.

Other Risk Factors

(i) General Business Risk and Liability

Given the nature of the Company’s business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty or misuse of investors’ funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company’s right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ii) Regulation of the Marijuana Industry

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company’s business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment
of future laws and regulations that affect the sale or offering of the Company's products or services in any way, this could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iii) **Changes in Laws, Regulations and Other Guidelines**

The Company’s operations are subject to a variety of laws, regulations, and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. While the Company is currently in compliance with all such laws, regulations and guidelines, any changes due to matters on such laws and regulations beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

(iv) **Environmental and Employee Health and Safety Regulations**

The Company’s operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company’s operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

(v) **Reliance on License Renewal**

The Company’s business is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. The license was renewed March 29, 2017 and expires September 28, 2018. Although management believes it will meet the requirements of the ACMPR annually for extension of the License, there can be no guarantee that Health Canada will extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License, or should it renew the License on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

(vi) **Dependence on Senior Management**

The success of the Company is dependent upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient members of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. As well, implementation of employee compensation packages composed of monetary short-term compensation and long-term stock based compensation has been designed, in part, for the retention of senior management personnel.

(vii) **Competition in the Industry**

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Because of the early stage of the industry in which Maricann operates, the Company expects to face additional
competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

There is also the potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) Risks Inherent in the Agricultural Business

The Company's business involves the growing of medical marijuana, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although the Company grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products and results of operations of the Company.

(ix) Restrictions on Sales and Marketing

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's business, operating results or financial condition.

(x) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There is no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's product specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.
(xi) Reliance on Key Business Inputs

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations as well as electricity, water, and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs (e.g., rising energy costs) could materially impact the business, financial condition, and operating results of the Company. Any ability to secure required supplies and services or to do so on appropriate terms could also have a materially adverse opinion impact on the business, financial condition, and operating results of the Company.

(xii) Sufficiency of Insurance

The Company maintains various types of insurance which may include product liability insurance (see “Potential Product Liability” below), errors and omission insurance, directors’, trustees’ insurance, property coverage, and general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage, that any insurer will remain solvent or willing to continue providing insurance coverage will sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect of the Company in terms of damages awarded and the impact and reputation of the Company.

(xiii) Potential Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of Maricann products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that Maricann's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's products.

(xiv) Potential General Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company become involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

(xv) Potential Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or
interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Maricann’s products are recalled due to an alleged product defect or for any other reason, Maricann could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Maricann may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additional if one of the Company’s significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any one of the foregoing reasons could lead to decreased demand for the Company’s products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of Maricann’s operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xvi) Reliance on the Main Facility

The Company’s activities and resources have been primarily focused on its main facility in Langton, Ontario and this is expected to continue for the foreseeable future. Adverse changes or developments affecting the facility could have a material adverse effect on the Company’s business, financial condition and prospects.

(xvii) Management of Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth that may have a material adverse effect on the Company’s business, financial condition, results of operation and prospects.

Company Outlook

The Company continues to expand both revenue and production, increasing capacity to supply the growing medical market in Canada. Additionally, with the advent of recreational cannabis in Canada, as promised by the current Liberal government, the outlook for the company is bright, as one of few federally licensed producers with the capability to expand significantly on its 100 acre Langton, Ontario land package. The company expects that its new lines of products, along with expanded marketing efforts will result in 100% year on year growth again in 2017.

Critical Accounting Estimates

The Company’s significant accounting policies under IFRS are contained in the Statements (refer to Note 3 to the Audited Annual Financial Statements). Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments, estimates and assumptions about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions.

New standards, interpretations and amendments adopted by the Company

The following new accounting standards applied or adopted during the year ended December 31, 2016 had no material impact on the financial statements:
Amendments to IAS 41 – Agriculture and IAS 16 – Property, plant and equipment [“IAS 41” and “IAS 16”]

This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 from IAS 41. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. The Company early adopted the amendments to IAS 41 and IAS 16 and the adoption of these amendments did not have any impact on the Company’s statement of financial position or statement of net loss and comprehensive loss.

Amendments to IAS 1 - Financial Statement Presentation [“IAS 1”]

The IASB has published “Disclosure Initiative” [Amendments to IAS 1]. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. They are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The amendments to IAS 1 did not have any impact on its financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization [“IAS 16” and “IAS 38”]

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business [of which the asset is part] rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments were effective for annual periods beginning on or after January 1, 2016. The amendments did not have any impact on the financial statements of the Company as the Company has not used a revenue-based method to depreciate its non-current assets.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments [“IFRS 9”]

In July 2014, the IASB issued the final version of IFRS 9, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory. The Company is in the process of evaluating the impact of IFRS 9 on the Company’s financial statements.

IFRS 15 Revenue from contracts with customers [“IFRS 15”]

In May 2014, the IASB issued IFRS 15, which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also provides a model for the recognition and measurement of gains or losses of non-financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. The standard permits the use of either full or modified retrospective application. This new accounting guidance will also result in enhanced disclosures about revenue. The Company is evaluating the effect that IFRS 15 will have on its financial statements and related disclosures, as well as the transition method to apply the new standard.
IFRS 16 – Leases ["IFRS 16"]

In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is in the process of evaluating the impact of IFRS 16 on the Company’s financial statements.

IAS 7 – Statement of cash flows [“IAS 7”]

IAS 7 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company is in the process of evaluating the amendments to IAS 7 on the Company’s financial statements.

IAS 12 – Income Taxes [“IAS 12”]

IAS 12 has been revised to incorporate amendments issued by the IASB in January 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The Company does not expect the adoption of this standard to have a significant impact on the Company’s disclosures as it does not have any debt instruments that are measured at fair value.

IFRS 2 – Share based payments [“IFRS 2”]

IFRS 2 has been amended to address [i] certain issues related to the accounting for cash settled awards, and [ii] the accounting for equity settled awards that include a “net settlement” feature in respect of employee withholding taxes. The IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the amendments to IFRS 2 on the Company’s financial statements.

Subsequent Events

In January, 2017, the Company entered into agreement to invest in an unaffiliated network of clinics for $200,000, it was accounted for as an investment available for sale.

On March 3, 2017, the Company completed a raise of $10,000,000 by issuing 3,510,585 common shares of the Company at $2.85 per share.

On March 3, 2017, the Company entered into a definitive agreement with Danbel Ventures Inc. (“Danbel”) to combine Maricann and Danbel via the merger of a wholly owned subsidiary of Danbel (“Danbel Subco”) and
Maricann which will constitute a reverse takeover of Danbel by the shareholders of Maricann. It is intended that the resulting company (the "Resulting Issuer") will continue to operate as Maricann Group Inc.

On March 14, 2017, the Company repaid all amounts related to borrowings of $2,687,092 including all accrued interest.

In April 2017, the Company entered into an agreement with an operator of a network of clinics that the Company currently has a business relationship with to purchase an interest in the network of clinics, and have advanced $125,000 to the party.

The reverse takeover transaction was completed and Maricann Group Inc. was listed on the CSE on April 24, 2017.

In April 2017, the Company obtained the legal title to Maricann GmbH from a key management employee, who assisted the Company under fiduciary duty to incorporate the limited liabilities entity in Germany. In May 2017, the Company entered into a $42,500,000 non-equity financing from The Green Streaming Finance Company of Canada Inc. (“Green Streaming”) to finance its German expansion plans. The financing transaction provides Green Streaming the right to purchase 20% of all future production facilities financed by Green Streaming at the Company’s all in production cost, plus an additional 10% on all variable costs. The purpose of the financing is to fund the Company’s 150,000 sq. ft. and 250,000 sq. ft. expansion plans in Germany.